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*Attorneys for Defendant
Burst.com, Inc.*

UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION

REALNETWORKS, INC.,
Plaintiff/Counterdefendant,
v.
BURST.COM, INC.,
Defendant/Counterclaimant.

Case No. C-08-0023 MHP

**ANSWER TO FIRST AMENDED
COMPLAINT AND COUNTERCLAIM**

JURY TRIAL DEMANDED

Defendant Burst.com, Inc. ("Burst"), answers RealNetworks, Inc.'s
("RealNetworks") First Amended Complaint for Declaratory Judgment (the "Complaint")
and counterclaims against RealNetworks as follows:

1 **BURST'S ANSWER**

2 1. Admitted that this is a declaratory judgment action as described.

3 **PARTIES**

4 2. Admitted.

5 3. Admitted with respect to Burst.com, Inc. having been previously known as
6 Instant Video Technologies, Inc.; Burst being organized and existing under the laws of the state
7 of Delaware; and Burst being the assignee of the patents-in-suit. Denied with respect to Burst's
8 principal place of business, which is 1275 4th Street # 191, Santa Rosa, California 95404.

9 4. Admitted.

10 5. Admitted.

11 **JURISDICTION AND VENUE**

12 6. Admitted that Real Networks brings this action under Title 35 of the United
13 States Code with a remedy sought under 28 U.S.C. §§ 2201 and 2202. Denied with respect to
14 RealNetworks being entitled to relief under 28 U.S.C. §§ 2201 and 2202 as more specifically
15 and fully set forth herein.

16 7. Admitted that this Court has subject matter jurisdiction under 28 U.S.C. §§ 1331
17 and 1338(a). Denied with respect to RealNetworks being entitled to relief under 28 U.S.C. §
18 2201 as more specifically and fully set forth herein.

19 8. Admitted.

20 **EXISTENCE OF AN ACTUAL CONTROVERSY**

21 9. Admitted with respect to the '995, '839, '705, and '202 Patents. Denied with
22 respect to all other patents-in-suit including the '956 patent, the '044 patent, and the '932 patent.

23 10. Admitted.

24 11. Admitted.

1 12. Admitted.

2 13. Admitted.

3 14. Denied to the extent that it is alleged that Microsoft was the sole patent licensee.

4 15. Admitted.

5 16. Admitted.

6 17. Admitted.

7 18. Admitted.

8 19. Denied in that Burst never asserted that it had proof that RealNetworks is now
9 infringing either the '956 patent or the '044 patent.

10 20. Admitted that RealNetworks denies that any of the patents-in-suit are or have
11 been infringed by RealNetworks and that RealNetworks disputes the validity and enforceability
12 of the patents-in-suit.

13 21. Admitted with respect to the '995, '839, '705, and '202 Patents. Denied with
14 respect to all other patents-in-suit including the '956 patent, the '044 patent and the '932 patent.

15 22. Admitted with respect to the '995, '839, '705, and '202 Patents. Denied with
16 respect to all other patents-in-suit including the '956 patent, the '044 patent and the '932 patent.

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18
19
20 **COUNT I**
DECLARATORY JUDGMENT OF NONINFRINGEMENT OF THE '995 PATENT

21 23. Burst incorporates by reference its responses to paragraphs 1-22.

22 24. Admitted that a true and correct copy of the '995 patent is attached to the
23 Complaint as Exhibit A. In all other respects, denied.

24 25. Denied.

25
26 **COUNT II**
DECLARATORY JUDGMENT OF INVALIDITY OF THE '995 PATENT

27 26. Burst incorporates by reference its responses to paragraphs 1-25
28

1 27. Denied.

2 28. Denied.

3 **COUNT III**

4 **DECLARATORY JUDGMENT OF NONINFRINGEMENT OF THE '839 PATENT**

5 29. Burst incorporates by reference its responses to paragraphs 1-28.

6 30. Admitted that a true and correct copy of the '839 patent is attached to the
7 Complaint as Exhibit B. In all other respect, denied.

8 31. Denied.

9 **COUNT IV**

10 **DECLARATORY JUDGMENT OF INVALIDITY OF THE '839 PATENT**

11 32. Burst incorporates by reference its responses to paragraphs 1-31.

12 33. Denied.

13 34. Denied.

14 **COUNT V**

15 **DECLARATORY JUDGMENT OF NONINFRINGEMENT OF THE '705 PATENT**

16 35. Burst incorporates by reference its responses to paragraphs 1-34.

17 36. Admitted that a true and correct copy of the '705 Patent is attached to the
18 Complaint as Exhibit C. In all other respects, denied.

19 37. Denied.

20 **COUNT VI**

21 **DECLARATORY JUDGMENT OF INVALIDITY OF THE '705 PATENT**

22 38. Burst incorporates by reference its responses to paragraphs 1-37.

23 39. Denied.

24 40. Denied.

25 **COUNT VII**

26 **DECLARATORY JUDGMENT OF NONINFRINGEMENT OF THE '932 PATENT**

27 41. Burst incorporates by reference its responses to paragraphs 1-40.

1 42. Admitted that a true and correct copy of the '932 Patent is attached to the
2 Complaint as Exhibit D. In all other respects, denied.

3 43. Denied.

4
5 **COUNT VIII**
6 **DECLARATORY JUDGMENT OF INVALIDITY OF THE '932 PATENT**

7 44. Burst incorporates by reference its responses to paragraphs 1-43.

8 45. Denied.

9 46. Denied.

10 **COUNT IX**
11 **DECLARATORY JUDGMENT OF NONINFRINGEMENT OF THE '202 PATENT**

12 47. Burst incorporates by reference its responses to paragraphs 1-46.

13 48. Admitted that a true and correct copy of the '202 Patent is attached to the
14 Complaint as Exhibit E. In all other respects, denied.

15 49. Denied.

16 **COUNT X**
17 **DECLARATORY JUDGMENT OF INVALIDITY OF THE '202 PATENT**

18 50. Burst incorporates by reference its responses to paragraphs 1-49.

19 51. Denied.

20 52. Denied.

21 **COUNT XI**
22 **DECLARATORY JUDGMENT OF NONINFRINGEMENT OF THE '965 PATENT**

23 53. Burst incorporates by reference its responses to paragraphs 1-52.

24 54. Admitted that a true and correct copy of the '965 Patent is attached to the
25 Complaint as Exhibit F. In all other respects, denied.

26 55. Denied.

COUNT XII

DECLARATORY JUDGMENT OF INVALIDITY OF THE '965 PATENT

56. Burst incorporates by reference its responses to paragraphs 1-55.

57. Denied.

58. Denied.

COUNT XIII

DECLARATORY JUDGMENT OF NONINFRINGEMENT OF THE '044 PATENT

59. Burst incorporates by reference its responses to paragraphs 1-58.

60. Admitted that a true and correct copy of the '044 Patent is attached to the Complaint as Exhibit G. In all other respects, denied.

61. Denied.

COUNT XIV

DECLARATORY JUDGMENT OF INVALIDITY OF THE '044 PATENT

62. Burst incorporates by reference its responses to paragraphs 1-61.

63. Denied.

64. Denied.

COUNT XV

**DECLARATORY JUDGMENT OF UNENFORCEABILITY OF THE
'995, '839, '932 '705 PATENTS**

65. Burst incorporates by reference its responses to paragraphs 1-64.

66. Denied.

67. Denied.

68. Denied.

69. Denied.

70. Denied.

1 71. Burst admits that the EPO rejected the then-pending claims of Burst's
2 Application No. 90 902 741.9 in an Office Action dated April 22, 1994. In all other respects,
3 denied.

4 72. Denied

5 73. Burst admits that Lang and Hein became aware of the rejections in the EPO at
6 some point in time. In all other respects, denied.

7 74. Burst admits that Lang and Hein first disclosed Walter to the PTO in an
8 Information Disclosure Statement on May 6, 1991. In all other respects, denied.

9 75. Denied.

10 76. Burst is without knowledge of and on that basis denies the allegations regarding
11 the development, capabilities, and public demonstration of DVI. In all other respects, denied.
12

13 77. Burst admits that it was attempting to build a prototype of its system around
14 September 1990. Burst admits that it adopted DVI for use in certain prototypes. In all other
15 respects, denied.

16 78 Burst is without knowledge of and on that basis denies the allegations regarding
17 the development and publicization of DVI years before the Burst patents were filed. In all other
18 respects, denied.
19

20 79. Burst is without knowledge of and on that basis denies the allegations regarding
21 nondisclosure of printed publications describing DVI technology that was in development and
22 displayed to the public before the filing of the Burst patents. In all other respects, denied.
23

24 80. Burst admits that in an Office Action, dated April 22, 1994, for Application No.
25 90 902 741.9, the EPO cited and discussed prior art references including IEEE Transactions on
26 Consumer Electronics, "1988 International Conference on Consumer Electronics, Part 1", 34
27 (1988) August, No. 3, New York, U.S., pages 838-845; Hildering et al.: "Programmable
28

1 Compact Disk Picture Memory and Video Processing System” (“Hildering”); EP-A-0 283 727
2 (“Parker”); and EP-A-0 082 077 (“Gremillet EP”). In all other respects, denied.

3 81. Denied.

4 82. Denied.

5 Burst denies that RealNetworks is entitled to any relief from Burst and in particular to
6 any of the relief requested in paragraphs 1 through 7 of RealNetworks’ Prayer for Relief.

7
8 **BURST’S COUNTERCLAIM**

9 In support of its counterclaim against RealNetworks, Burst alleges as follows:

10 **PARTIES**

11 1. Burst is a corporation organized and existing under the laws of the State of
12 Delaware. Burst maintains its principal place of business at 1275 4th Street # 191, Santa Rosa,
13 California 95404. Burst owns and licenses patents and licenses software.

14 2. RealNetworks is a corporation organized and existing under the laws of the State
15 of Washington with a principal place of business at 2601 Elliott Avenue, Seattle, Washington.

16
17 **JURISDICTION AND VENUE**

18 3. Count I of this counterclaim asserts causes of action for patent infringement
19 under the Patent Act, 35 U.S.C. § 271. This Court has subject matter jurisdiction over Count I
20 by virtue of 28 U.S.C. § 1338(a). Venue is proper in this Court by virtue of 28 U.S.C. § 1391(b)
21 and (c) and 28 U.S.C. § 1400(b).

22 4. This Court has personal jurisdiction over RealNetworks because RealNetworks
23 has filed suit in this Court against Burst asserting claims that are substantially related to those
24 asserted by Burst in Count I and because RealNetworks provides infringing products and
25 services in the Northern District of California.
26
27
28

BACKGROUND

Burst and the Burst Patents

5. Burst was founded in 1988 and incorporated in 1990. Burst, and its predecessors, devoted more than a decade of research and development in the fields of video storage and manipulation, and video delivery over computer networks. Burst invested many tens of millions of dollars developing products utilizing its patented discoveries. Its products both (a) provided a superior user experience in the delivery of video over the Internet and other computer (IP) networks, and (b) significantly increased the operating efficiency of these networks.

6. Burst's software manages the delivery of video and audio content over a variety of networks, optimizing network efficiency and quality of service. Burst's Burstware suite of software products enables companies to transmit video and audio files at faster-than-real-time speed. Burstware uses momentarily available bandwidth capacity in conjunction with data compression to send more video or audio data to users than the players are consuming in real time. This data is stored on the user's machine (PC or set-top box) for playing on demand, thus isolating the user from noise and interruptions due to network congestion and other network-related interference. The result is high quality, full-motion video and CD-quality audio to the end-user.

7. Burst owns U.S. and international patents that cover the provision of video delivery at faster-than-real-time rates and that utilize methods of client-server communications to provide for dynamic re-buffering and network optimization. On October 16, 1990, the United States Patent and Trademark Office issued the first of these patents, United States Patent No. 4,963,995 (the "995 Patent"), titled "Audio/Video Transceiver Apparatus Including Compression Means."

1 8. Thereafter, the United States Patent and Trademark Office issued other
2 patents on Burst's technology, including U.S. Patent No. 5,164,839 (the "'839 Patent"),
3 which issued on November 17, 1992; U.S. Patent No. 5,963,202 (the "'202 Patent"), which
4 issued on October 5, 1999; and U.S. Patent No. 5,995,705 (the "'705 Patent"), which issued
5 on November 30, 1999. The '995, '839, '705 and '202 Patents are collectively referred to as
6 the "Burst Patents." Richard A. Lang is the named inventor on three of the Burst Patents,
7 and all of these patents are in the same family. Dr. Nathaniel Polish is the named inventor
8 on the fourth Burst Patent. Burst is the owner of the entire right, title, and interest in the
9 Burst Patents.
10

11 9. The '995, '202, '839 and '705 Patents cover various aspects
12 of receiving, processing and delivering video content. In general, the Burst Patents
13 disclose techniques that enable efficient handling and delivery of video programs, while
14 maintaining the integrity and quality of the content and its playback. Some of the
15 techniques disclosed in the Burst Patents include digitization and compression of
16 audio/video content and storage of the compressed content in memory. The audio/video
17 content can be edited and stored or copied onto other storage media such as hard drives,
18 optical discs or CDs. In addition, the Burst Patents describe transmitting the digitized and
19 compressed audio/video content to other computers or set-top boxes.
20

21 10. After developing its initial prototype machines for the 1991 Consumer
22 Electronics Show ("CES"), Burst worked to bring products and services to the marketplace that
23 utilized certain of the techniques disclosed in its various patent applications. One of those
24 products included a content delivery platform called "Burstware." Burst licensed Burstware to
25 companies that installed it on their own computer servers and client computers to effectuate the
26 efficient delivery of content over various networks. Between 1998 and December 2000, Burst
27
28

1 distributed Burstware enabling high-quality delivery of video programs over the Internet and
2 private networks. Burst distinguished its product from the market leading real-time streaming
3 products of Microsoft and RealNetworks by pointing to the benefits of faster-than-real-time
4 delivery of the content in both quality of user experience and network management efficiencies.
5 Burst described these benefits in detail to both Microsoft and RealNetworks under non-
6 disclosure agreements. Both companies scoffed at the advantages, complaining that no network
7 efficiencies could be obtained since the same number of bits needed to be transmitted over the
8 same time period and that their current systems were adequate for their purposes.

10 11. Burst's technique of faster-than-real-time delivery of video is now broadly
11 adopted in the industry with management of the bursts of video content based on
12 communication of client status information to the server. This methodology is being
13 incorporated into industry streaming media standards. The method also allows for more
14 efficient use of navigation tools within the video content as taught by the Burst Patents.

16 12. The '995, '839 and '705 patents were the subject of a previous lawsuit between
17 Burst and Microsoft Corporation. In that lawsuit, Burst accused Microsoft of infringing the
18 '995, '839 and '705 patents. Pursuant to a settlement, Microsoft paid Burst \$60,000,000 for a
19 non-exclusive license under Burst-owned patents, including the '995, '839, '705 and '202
20 Patents. Those patents and one other were the subject of a second lawsuit between Burst and
21 Apple, Inc. Pursuant to a settlement, Apple paid Burst \$10,000,000 for a non-exclusive license
22 under Burst-owned patents, including the '995, '839, '705 and '202 Patents.

24 **RealNetworks and RealNetworks' Infringing Products and Services**

25 13. Burst's patents were publicly known as early as 1991, when the first of them
26 was publicly described at the Consumer Electronics Show in Las Vegas. Burst also
27 publicized its patents to various licensees in 1992, 1994 and 1996. Burst contacted
28

1 RealNetworks directly in 1999, 2000, and 2005. Certainly no later than the year 1999,
2 RealNetworks became aware of Burst's patents. Despite this knowledge, RealNetworks
3 proceeded on a path of developing infringing products as detailed below.

4
5 14. RealNetworks promotes its RealPlayer and RealPlayer Plus products as
6 media hubs for synchronization with portable media players. In November 2007,
7 RealNetworks introduced RealPlayer 11, which according to RealNetworks, "gives
8 consumers the ability to easily download millions of videos from thousands of sites across
9 the Web with one click, and then view them later - on or off the PC. Consumers can use the
10 one-click download functionality to view Web video offline on their PC or with RealPlayer
11 Plus transfer video to popular portable media players like the Apple iPod." These products
12 and services utilize faster-than-real-time delivery to a video library and faster-than-real-time
13 delivery to the portable device as claimed in the Burst Patents.

14
15 15. Since about 2001, RealNetworks streaming servers, called the Helix server
16 and Helix Mobile Server, have taken advantage of faster-than-real-time transmission in the
17 way claimed by the Burst Patents. Network management is particularly important in certain
18 bandwidth constrained networks, such as mobile telephone networks. The patented feature
19 of streaming at faster-than-real-time rates in order to allow for the user to obtain
20 instantaneous viewing of a remotely stored video and randomly move within the video by
21 selectively decompressing portions of the file was also incorporated into the Helix Server
22 products.

23
24 **COUNT I**
25 **Patent Infringement**

26 16. RealNetworks has, without authority, consent, right or license, and in direct
27 infringement of the Burst Patents, made, used, offered for sale and/or sold the methods,
28 products and systems claimed in the Burst Patents in this country. RealNetworks' making,

1 using, offering for sale, and/or selling of one or more of these methods, products and
2 systems directly infringes one or more claims of the Burst Patents. This conduct constitutes
3 infringement under 35 U.S.C. § 271(a).

4
5 17. In addition, RealNetworks has in this country, through its sale of computer
6 software and services, actively induced others to make, use, and/or sell the systems, products
7 and methods claimed in one or more claims of the Burst Patents. This conduct constitutes
8 infringement under 35 U.S.C. § 271(b).

9
10 18. RealNetworks has also provided computer software designed for use in
11 practicing one or more claims in the Burst Patents, where the software and/or hardware
12 constitute a material part of the invention and are not staple articles of commerce, and which
13 have no use other than infringing one or more claims of the Burst Patents. RealNetworks
14 has committed these acts with knowledge that the software it makes and sells is specially
15 made for use in a manner that directly infringes the Burst Patents. This conduct constitutes
16 contributory infringement under 35 U.S.C. § 271(c).

17
18 19. RealNetworks' infringing conduct is unlawful and willful and will continue
19 unless enjoined by this Court. RealNetworks' willful conduct makes this an exceptional
20 case as provided in 35 U.S.C. § 285.

21
22 20. As a result of RealNetworks' infringement, Burst has been damaged, and will
23 continue to be damaged, until RealNetworks is enjoined from further acts of infringement.

24
25 21. Burst faces real, substantial and irreparable damage and injury of a
26 continuing nature from RealNetworks' infringement for which Burst has no adequate
27 remedy at law.

28
WHEREFORE, Burst prays:

1 (a) That this Court find RealNetworks has committed acts of patent infringement
2 under the Patent Act , 35 U.S.C. § 271;

3 (b) That this Court enter judgment that:

4 (i) the Burst Patents are valid and enforceable; and

5 (ii) RealNetworks has willfully infringed the Burst Patents;

6 (c) That this Court issue an injunction enjoining RealNetworks, its officers,
7 agents, servants, employees and attorneys, and any other person in active concert or
8 participation with them, from continuing the acts herein complained of, and more
9 particularly, that RealNetworks and such other persons be permanently enjoined and
10 restrained from further infringing the Burst Patents;
11

12 (d) That this Court require RealNetworks to file with this Court, within thirty
13 (30) days after entry of final judgment, a written statement under oath setting forth in detail
14 the manner in which RealNetworks has complied with the injunction;
15

16 (e) That this Court award Burst the damages to which it is entitled due to
17 RealNetworks' patent infringement with both pre-judgment and post-judgment interest;

18 (f) That RealNetworks' infringement of Burst Patents be adjudged willful and
19 that the damages to Burst be increased by three times the amount found or assessed pursuant
20 to 35 U.S.C. § 284;
21

22 (g) That this be adjudged an exceptional case and that Burst be awarded its
23 attorney's fees in this action pursuant to 35 U.S.C. § 285;

24 (h) That this Court award Burst its costs and disbursements in this civil action,
25 including reasonable attorney's fees; and

26 (i) That this Court grant Burst such other and further relief, in law or in equity,
27 both general and special, to which it may be entitled.
28

DEMAND FOR JURY TRIAL

Burst, by its undersigned attorneys, demands a trial by jury on all issues.

DATED: March 25, 2008

/s/ Bruce Wecker

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